

MISSION STATEMENT

To foster higher-paying and better skilled jobs by recruiting new industries and helping existing businesses grow.

FROM PAPEB TO POWER

TENNESSEE: A RISING PROFILE

The year 2006 was a period of change in Tennessee's economy and in our state's economic development efforts. With moderating job growth nationally and the rising influence of economies in China, India and Brazil, the U.S. economic climate grew at a steady and stable 2-3 percent pace, with declining unemployment despite global pressure on the nation's manufacturing sector and a growing national trade deficit.

Administration to more than 108,000 new jobs and more than \$13.4 billion in new capital investment. Tennessee also benefited from international trade liberalization during the same period, with Tennessee companies selling more than \$22 billion in goods and services to customers overseas in 2006 and more than \$70 billion from 2003-2006. The U.S. Department of Commerce described Tennessee as one of the three fastest growing trade states in the country during that period.

With the international press coverage generated by Nissan North America, Inc.'s

decision to move its corporate headquarters to Tennessee from the west coast, joining International Paper, ServiceMaster and more than two dozen other companies in relocating their corporate headquarters to Tennessee, it's no wonder Site Selection



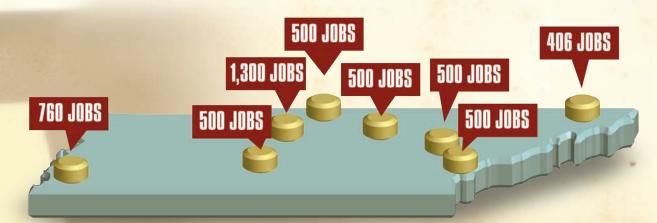
magazine rated Tennessee No. 5 in the country for business climate the second year in a row and why *Expansion Management* magazine rated Tennessee No. 1 in the nation for economic development achievement.

In economic development circles around the world, Tennessee's success is getting noticed. The challenge comes in partnering with local communities to build on that success.

"We're on the radar of expanding companies in growth industries around the world," said ECD Commissioner Matthew Kisber. "We have a

TENNESSEE TOP ECONOMIC DEVELOPMENT PROJECTS 2006						
Company	Jobs Created	Location	Type			
Dell Computer Corporation	1,000 jobs	Nashville, Davidson County	Expansion			
ServiceMaster, Inc	560 jobs	Memphis, Shelby County	Expansion			
Federated Department Stores	500 jobs	Portland, Sumner County	New			
Auto2Auto.com	500 jobs	Columbia, Maury County	New			
Christensen Yachts, Inc	500 jobs	Greenback, Loudon County	New			
Oreck	500 jobs	Cookeville, Putnam County	New			
Eastman Chemical Company	406 jobs	Kingsport, Sullivan County	Expansion			
Cobalt Yachts	350 jobs	Vonore, Monroe County	Expansion			
Gateway	300 jobs	Nashville, Davidson County	New			
Nucor Steel	200 jobs	Memphis, Shelby County	New			

business climate, a quality work force and a commitment to improving education which will help Tennessee sustain a competitive advantage in job growth."



IT STARTS WITH A PLAN ...

A local economic developer in Tennessee sits at a desk, patiently answering questions from a site selection consultant. On a shelf behind the desk sits a binder, thick with documents outlining the community's five-year strategic plan. It is the product of countless meetings, hours of debate among the community's leaders and endless compromises, both large and small.

Some in the community wondered if such a plan was necessary. Others made passionate arguments for one aspect of the plan or against another. After dozens of compromises, a final draft was brought to the county commission and to city councils for a vote of approval. Questions were asked and answered. Interviews were scheduled with the Tennessee Department of Economic and Community Development and eventually, Three-Star certification was issued.

The community is to be congratulated on a job well done but the end result of those efforts however, is not what's printed in the binder. It's in the conversation between the economic developer and the consultant. It's how the community positions itself to potential investment, the ability of it's leaders to network and build relationships at the state and national level. It's reflected in the community's willingness to partner with the state in developing an educated, trainable, reliable, productive work force. It's in the roads and utility lines and industrial parks the community has developed, but also a reflection of the pride a community has in its people and their willingness to adapt to a changing environment.

The community's success depends on its ability to put its plan into practice.



NEW JOBS, NEW PROGRESS

Taking its cue from Governor Phil Bredesen's strategic vision of "higher skilled, better paying jobs," ECD's Business Development Division has taken a focused approach to attracting new opportunities for Tennesseans. That focus can be seen in the more than 700 projects handled by Business Development specialists in 2006. Those efforts yielded more than 26,000 new jobs and more than \$3.5 billion in new investment. Nearly two thirds of the new jobs created resulted from ECD's Business Development specialists helping Tennessee companies expand.

The jobs created have been spread across a broad range of economic sectors from manufacturing to technology to corporate offices. In fact, Tennessee's remarkable success in attracting corporate headquarter relocations has been nothing short of remarkable. More than 26 companies encompassing a variety of industry sectors have decided to call Tennessee home during Governor Bredesen's first term, including most recently, Nissan North America, International Paper, ServiceMaster and Olhausen Billiards. In its 2006 Beige Book report on economic growth in the U.S., the Federal Reserve cited Tennessee's success in recruiting corporate jobs as a significant factor in the state's growth. According to the UT Center for Business and Economic Research's 2007 Economic Report to the Governor, personal income had a strong showing in 2006, registering a 6 percent gain.

Tennessee has been especially successful in the automotive sector as the nexus of automotive innovation and manufacturing continues to shift to the southeastern U.S. Automotive suppliers like Denso, Nakatetsu and Koyo continue to invest in Tennessee, creating new jobs because of the state's remarkable business climate and productive work force.

Tennessee is now the nation's 4th largest producer of passenger vehicles and the 5th largest employer of people working in the automotive sector. More than 88,000 Tennesseans make their living producing automobiles and their component parts.

Tennessee's success in job creation can be attributed in part by the efforts of 14 job development specialists, housed in field offices across the state.

Developing face-to-face relationships with local communities and local companies, these specialists assist communities in marketing themselves and help companies overcome the barriers to expansion. They



also provide accessible expertise and a working knowledge of successful "best practices" for all 95 Tennessee counties.

BUILDING CAPACITY, CREATING OPPORTUNITY

While announcements surrounding new companies relocating to Tennessee often garner headlines, the partnerships ECD creates with existing Tennessee companies are responsible for most of the new jobs created in the state. More than 65 percent of the new jobs created in 2006 resulted from the expansion of Tennessee companies. More often than not, those new opportunities were made possible with the help of ECD's FastTrack Job Training Assistance Program and FastTrack Infrastructure Development Program.

In Tennessee, statutory incentives have historically focused on two areas essential to economic development: creating a well trained work force and building public infrastructure essential to business growth. In Tennessee, the philosophy has been to partner with communities and with industry to improve human capital and public capacity to support job creation. Market factors may cause companies to expand or contract, but investment in the job skills of Tennesseans and in the strength of our state's communities will always benefit Tennessee.

In FY '05-'06, Tennessee's FastTrack Job Training Assistance Program (FJTAP) worked with more than 112 companies to upgrade the skills of their workers. A total of 10,923 Tennesseans either received new or better jobs because FJTAP reimbursed their employer for the costs of their training.

The FastTrack Infrastructure Development Program (FIDP) successfully managed the implementation of more than \$19 million in state funds and \$26 million in federal funds for the improvement of public infrastructure across the state of Tennessee.

In addition, ECD provided essential assistance to local planning offices across the state by assisting with the updating of flood maps, conducting technical planning assistance for more than \$6 million in private infrastructure investment and training more than 3,000 local government officials in basic planning strategies, sharing "best practices" in planning and zoning issues.



A STEADY **PROGRESSION**

During the past four years, the Tennessee Department of Economic and Community Development and local communities across the state have worked together to outline a new path towards economic progress. The first step in that path was developing the concept of job creation as a partnership between the state and communities. That meant a complete

redesign of Tennessee's Three-Star
community development program. It also
meant a renewed emphasis on training
for community leaders and a continuing
emphasis on strategic planning. Using the
annual Governor's Conference on Economic
and Community Development as a training
ground, community leaders were taken
step-by-step through the strategic planning
process and in 2005, Commissioner Matthew
Kisber announced the creation of the Tennessee
Leadership Center, a training and consulting
resource for local communities as they
developed their strategic plans.

but a document outlining the community's assessment of its strengths and weaknesses and a road map to future prosperity.

Under Executive Director David Kolzow, the TLC's first year has been widely embraced by communities across Tennessee. The TLC marked its first year by being awarded an accredited basic economic development course by

the International Economic Development Council and by developing a two-hour economic development module for the University of Tennessee's MTAS program for elected officials. In addition, TLC staff created a Community Development toolkit for local communities, including a training DVD, instructions on conducting a community-wide electronic assessment of strengths and weaknesses, and tips for getting certified as a Three-Star community.

The TLC's reputation as a resource for community leaders is growing. More than 400 local leaders have taken a TLC training course in the last year and a record 87 Tennessee communities have undergone the Three-Star certification process, representing more than 300 municipalities across the state.



The first step was making sure communities understood a strategic plan is not a notebook taking up space on a shelf,

OPPORTUNITY FOR TENNESSEE BUSINESS, LARGE AND SMALL

Although press coverage typically focuses on Tennessee's large corporate announcements, ECD could argue its greatest success in the past year has been seen in its support of small, women and minority-owned business. Much of that success lies in the efforts of ECD's Business Enterprise Resource

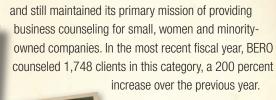
Office (BERO). Following strong response to a pilot program aimed at linking small businesses with large corporate and government procurement officials, BERO expanded and launched its own Business Matchmaking program, holding regional events in Nashville, Memphis, Knoxville and the Tri-Cities. Described as "speed dating for small business," event attendees registered and then moved from table to table, spending 15 minutes to pitch large buyers on their business. More than 500 small businesses signed up for

the events, getting an opportunity to sell their product or service to more than 160 corporate and government buyers. Participating companies successfully negotiated more than \$300,000 in new contracts.

"I'm not able to get on the calendars of many of these large corporations," said one small business owner. "This is a great opportunity to reach potential customers and let them know what my company can offer."

Creating networks among women-owned businesses was an important part of BERO's focus in the past year, working with the Tennessee Economic Council on Women and other local agencies to hold regional business development seminars in Memphis and Chattanooga.

BERO also launched a successful micro-enterprise loan program, creating a revolving fund for entrepreneurs in rural Tennessee who need small amounts of capital (\$5,000 or less) to start or expand their emerging businesses





NEW ERA, NEW CHALLENGES

Since the development of Oak Ridge National Laboratory in the 1940's and the growth of major research centers like the University of Tennessee, Vanderbilt University and St. Jude Children's Research Hospital, Tennessee has long played an important role in the creation of new technologies and explored the horizons of scientific knowledge.



In 2003, ECD developed strategies focused on harnessing Tennessee's intellectual capital as an engine for economic growth and job creation. It began with the hiring of the state's first ever director of technology development and collaboration with the state's leading researchers and universities on strategies for increased federal research funding for Tennessee. The impact has been immediate and sustained as organizations increase the base of knowledge on which innovation can thrive. In 2006, the University of Tennessee system saw a record \$308 million in research funding (an 8 percent increase) and Vanderbilt University saw its research funding grow to an all time high of \$444 million (up 15 percent). Following a unified effort among the state's leaders to bring the Spallation Neutron Source (SNS) to Oak Ridge, Tennessee now claims one of the world's leading venues for particle research and nanotechnology development as one of its emerging research centers. For the first time, the American Electronics Association listed Tennessee among the nation's top 10 exporters of technology in the associations' 2006 Cyberstates Report.

A next step in developing Tennessee's technology infrastructure is the upcoming launch of Connect Tennessee, a program aimed at expanding broadband penetration across the state. Connect Tennessee empowers local leadership to expand broadband access

and implements a plan for a

comprehensive statewide assessment to determine levels of connectivity among our citizens. The expansion of broadband availability to all Tennesseans is essential in order for our state to remain competitive in an increasingly global marketplace and ubiquitous connectivity can lead to economic expansion and job growth.

In September 2006, Governor Bredesen announced plans to create Innovation Tennessee, a \$5 million economic development initiative designed to foster innovation and technology entrepreneurship. The effort will also assist Tennessee's research centers in transferring ideas created in the laboratory to the commercial marketplace. Housed under the auspices of the Tennessee Technology Development Corporation, Innovation Tennessee will provide an

important new focus for Tennessee's efforts to create higher-skilled, better

Tennessee is also taking a leadership position in the creation of partnerships aimed at development of renewable energy resources. ECD was a leading contributor to the Alternative Fuels Working Group created by Governor Bredesen to explore strategies for expanding the infrastructure available to Tennesseans interested in utilizing flex-fuel vehicles or vehicles operating on ethanol or bio-diesel. ECD's Energy Division created Tennessee's first bio-diesel grant program, administering more than \$1.8 million in grants to communities in all 95 Tennessee counties. In addition, ECD is partnering with Tennessee Tech, Tennessee State University and the University of Memphis to deliver information to the state's manufacturers on the latest energy saving

technologies available to industry. ECD also conducted energy audits for 149 local governments across Tennessee, making recommendations which resulted in more than \$5.7 million in energy savings.



paying jobs.

FROM TENNESSEE TO THE WORLD

The global reach of Tennessee's business relationships is indeed remarkable. As the United States has entered into free trade agreements with countries around the world, Tennessee companies in a variety of sectors have reached out to enter new markets and develop new customer relationships. From exports of just over \$11 billion in 2002, Tennessee will end 2006 with more than \$22 billion in exports, making the Volunteer State the third fastest growing export state in the U.S. over the past three years.

Canada and Mexico are Tennessee's largest trading partners, but China continues to be a rapidly growing market for Tennessee goods and services, rising to No. 3 on Tennessee's trading list after barely registering less than a decade ago. A lucrative market for agricultural products like cotton and soybeans, China continues to grow as a market for industrial machinery and computers as well. For that reason, the Tennessee Department of Economic and Community Development will launch the state's first China business development office in 2007.

The 2006 Governor's Conference on Economic and Community Development also benefited from the chance for local developers to network with Tennessee's

three existing international consultants, Robert Bathgate (Canada), Rainer Heumann (Germany) and Takatsugu Yamaguchi (Japan). All three consultants briefed local community leaders on opportunities in their respective markets in the coming year and reminded those involved in economic development in Tennessee that in some cases, Tennessee has business relationships extending back more than a decade. Japanese

companies, for example, have been operating in Tennessee for nearly a quarter century and today employ more than 40,000 Tennesseans.

Tennessee's relationship with the Japanese business community will be under new management in 2007. Longtime state employee John Gregory retired in the past year and ECD's Lori Odom now takes on the title of director of Asian development.



NEXT STEPS

In September 2006, Governor Bredesen laid out a comprehensive strategy for job creation going forward in a speech at the Governor's Conference on Economic and Community Development in Nashville. He called the speech "Tennessee's Next Steps" and the plan focused on four distinct areas:

DEVELOPING A MORE SKILLED WORK FORCE.

Governor Bredesen proposes a more direct connection between Tennessee's educational infrastructure and efforts to upgrade the quality of the state's work force. He proposed partnerships between the state and its largest employers to create community college programs that lead to good jobs, creating five-year, intensive high school programs that result in an associate's degree for the successful graduate and the elimination of community college tuition for high school graduates in Tennessee demonstrating a reasonable degree of college readiness.

INVESTING IN NEW INFRASTRUCTURE.

Governor Bredesen and Commissioner Kisber understand the challenges of job creation in rural Tennessee. That's why they've proposed doubling funding for Tennessee's FastTrack Infrastructure Development Program (FIDP) from \$14 million annually to \$28 million annually. Realizing that technology infrastructure will play a growing role in community competitiveness, Governor Bredesen also



wants to establish a grant fund to allow communities to expand broadband access and he's asked Commissioner Kisber to develop a comprehensive inventory of Tennessee's public infrastructure needs.

FOSTERING INNOVATION.

The launch of Innovation Tennessee will be an important strategic linchpin in the growth of higher-skilled, better paying jobs in our state, but that \$5 million program won't be the sole investment under Governor Bredesen. Tennessee will partner with the Oak Ridge National Laboratory and the Tennessee Valley Authority to extend a fiber optic network across the state, from Knoxville to Memphis, connecting Tennessee's centers of innovation and research. Also, the Governor wants to build on Tennessee's 25-year track record of successfully expanding the state's automotive sector by developing a plan to attract automotive research and development.

Tennessee among site selection consultants by organizing a series of "orange carpet" tours to view developable properties across the state.

"I believe our quality of life depends on our ability to recruit businesses that can grow and expand and be productive," said Governor Bredesen. "Our state's progress depends on the ability of hard working Tennesseans to find good jobs that will help them earn a living for themselves and their families."

"GETTING THE TALK RIGHT."

In a business where perception is important, Tennessee seeks to expand its effort to recruit new jobs through improved sales and marketing efforts. Part of the initiative will come through greater utilization of the Tennessee Leadership Center, expanding resources for local chambers and industrial development boards seeking to market their communities as a business location. Governor Bredesen and Commissioner Kisber also want to expand awareness of rural



2006 ECD TIMELINE

	12	The Organization for International Investment ranks Tennessee 16th for insourcing jobs.				
JAN	18	Colgate-Palmolive announces in Morristown, TN.				
	24	Cobalt Boats announces in Monroe County.				
	25	Federated Department Stores, Inc. announces distribution center in Portland, TN.				
	25	Southern Logisitics and Warehousing announces in Lewisburg, TN.				
	26	Gastite, a division of the Titeflex Corp., announces in Portland, TN.				
	27	Four Tennessee cities make "America's 50 Hottest" Cities ranking in Expansion Management.				
FEB	31	Eagle Bend Mfg., Inc., expands in Clinton, TN.				
	1	Southern Growth Policies Board recognizes ECD's Three-Star program as a "best practices model" and Southern leader in community certification programs.				
	2	Samick Music Corp. announces in Gallatin, TN.				
	9	Johns Manville breaks ground in Etowah, TN.				
	2	Goodman Co. announces expansion in Fayetteville, TN.				
MAR	6	Shaw Industries reopens in South Pittsburg, TN.				
	21	Site Selection ranks Tennessee among "Top 10 States" for the most micropolitan areas and number of projects.				
	30	TACLE Seating breaks ground in Mt. Juliet, TN.				
	13	Embraer Aircraft Maintenance Services, Inc. expands in Nashville, TN.				
APR	13	Olhausen Billiards announces in Portland, TN.				
	25	Sky Angel announces expansion in Cleveland, TN.				
	26	D&B Specialty Foods opens in Johnson City, TN.				
	2	VIAM Manufacturing announces expansion in Manchester, TN.				
MAY	15	Modern Industries announces expansion in Chattanooga, TN.				
	17	Gateway announces in Nashville, TN.				
	22	Site Selection ranks Tennessee among "Top 10 Competitive States."				
16						

JUNE	2	Dell announces expansion in Nashville, TN.
	27	McKee Foods announces expansion in Collegedale, TN.
	30	Homesteader, Inc. announces expansion in New Tazewell, TN.
JULY	5	Hobbs Bonded Fibers announces new facility in Trenton, TN.
	17	Martech Miller Imaging breaks ground in Mountain City, TN.
	24	Oreck Corp. announces in Cookeville, TN.
	26	First Class Printing announces expansion in Fayetteville, TN.
AUG	16	Koyo Corp. and Nakatetsu Machining Technologies announce in Washington County.
	18	NSK Steering Systems announces in Dyersburg, TN.
	23	Kenwal Steel announces new facility in Lebanon, TN.
	23	Olhausen Billiards opens in Portland, TN.
	28	ECD launches new and expanded research Web site.
	8	Al's Garden Art announces in Columbia, TN.
_	8	Touchstone Wireless announces in Bristol, TN.
SEP	8	DURA Automotive announces expansion in Lawrenceburg, Milan and Gordonsville, TN.
	13	Automotive News Manufacturing Conference selects Tennessee as host state.
	22	C&S Plastics announces expansion in Fayetteville, TN.
OCT	10	Akzo Nobel Coatings Inc. breaks ground in Nashville, TN.
	26	Hamilton Kent announces facility in Winchester, TN.
	30	Servicemaster announces plans to relocate corporate headquarters to Memphis, TN.
NOV	6	Site Selection magazine ranks Tennessee among "top five states in the country" to do business.
- 1101	28	Koyo Corp. and Nakatetsu Machining Technologies break ground in Washington County.
DEC	13	Twin City Fan announces in Pulaski, TN.
		1

THE B	MUL	IRFRS	- 2006
			2000

JOB OPPORTUNITIES CREATED IN TN 26,374

NEW CAPITAL INVESTMENT IN TN \$3.5 BILLION

JOB CREATION PROJECTS 737

TENNESSEE WORKERS TRAINED 10,923

VALUE OF TENNESSEE PRODUCTS \$22 BILLION

TN INCOME GROWTH +6%

The Economic and Community Development 2007 Playbook was conceived, written and designed by the department's Communications & Creative Services staff. Creative Services serves as an in-house design, marketing and graphics agency for the State of Tennessee.

To learn more about ECD visit us on the web www.tnecd.gov



Tennessee Department of Economic & Community Development, Authorization #330969 - 7,000 copies, February 2007. This public document was promulgated at a cost of \$.58 per copy.

